Gender Pay Equity: What You and Your Committee Need to Know

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Discussion Topics

- Background – what is gender pay equity?

- Who is asking about it?

- How are companies tackling this?

- Expectations for the future…

What is Pay Equity?

Equal pay for equal impact

Do we have two people,

   doing essentially the same job,

      performing at a similar level,

         in the same or similar location,

            who are paid rather differently?

And, if so…

Why?

Pay equity processes look for these possibilities, but also try to prevent them from occurring in the first place.

Some History on Pay Equity

1

Silence...

Pay equity is not an issue or receives only lip service

2

Plug-n-Chug and Try to Fix

Simple analysis and check writing

3

Policy Changes from Legislation

HR policies are updated as state and int'l legislation hit

4

Digging Deeper

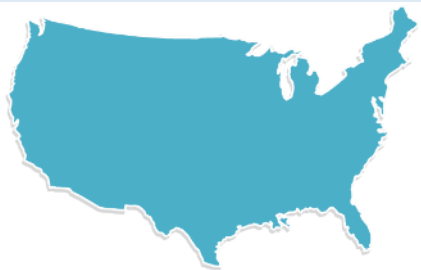Better tools are used to study the "big data" and uncover potential problems

5

HR "Systems" are Enhanced

Recruiting, compensation, and retention strategies are critically upgraded
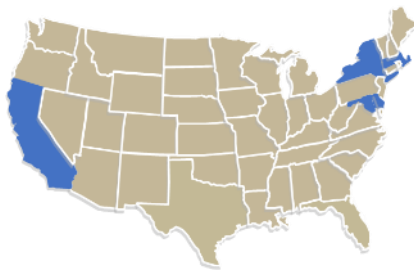
Legislation

## A patchwork of federal legislation exists…

- National Labor Relations Act (1935)
- Equal Pay Act (1963)
- Title VII (1964)
- EO 13665 (2015)
- Lilly Ledbetter Fair Pay Act (2009)

Recently, there's been activity at the state level…

- California (2015): Fair Pay Act
- New York (2015): Achieve Pay Equity Act
- Maryland (2016): Equal Pay for Equal Work Act
- Massachusetts (2016): Equal Pay Act

And even internationally…
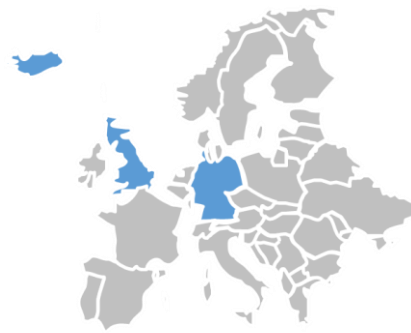
- UK (2010): Equality Act
- Iceland (2017): Equal Pay Standard
- Germany (2017): Act to Promote Transparency of Pay Structures

Legislation is not the driving force in the US...

Shareholders

**Compensation Committees and Executives**

What Questions are Compensation Committees Asking?

- What analysis have we done?

- What have we found?

- How are we remediating issues?

- What are our long-term solutions?

- How can we be kept informed of ongoing analysis and remediation strategies?

- What are we communicating culturally?

UK reporting is driving discussions

- Committees are asking about this
  - Highly prescriptive and different from US analyses—read about it [here](#)

- UK results (found [here](#)) may or may not match what a more thorough analysis uncovers

Google UK's 2017 gender pay report
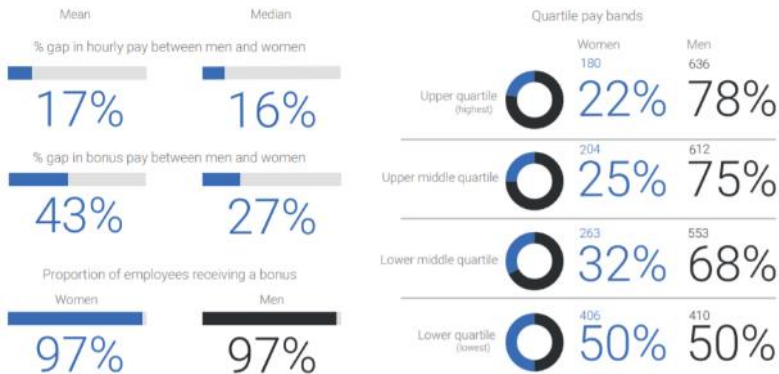
The above tables show our hourly gender pay gap and bonus gap as at 5 April 2017. The bonus figures cover the 12 months prior to this.

The above chart shows the number and proportion of Google UK employees in four evenly sized quartiles from highest to lowest by hourly rate of pay

Google spent $270,000 paying some of its employees in an effort to reduce pay gaps, the company announced Friday.

Google said the $270,000 was spent on employees who were receiving a "statistically significant" smaller amount of money than other workers.

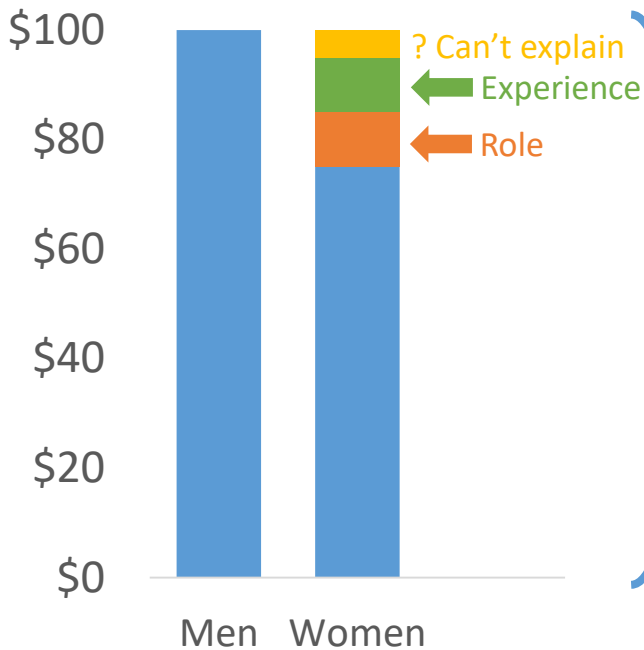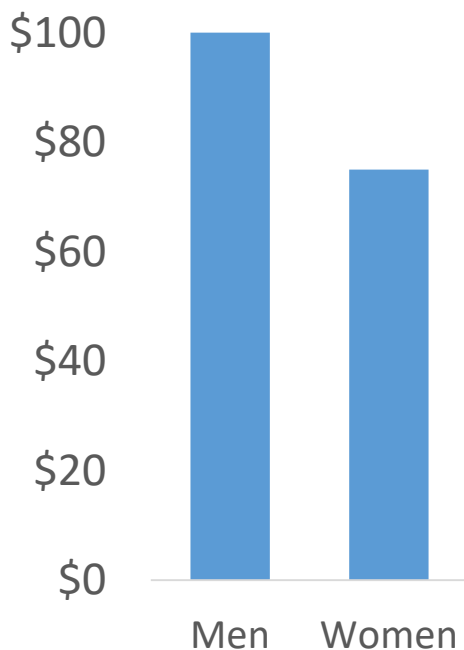The disclosure came as Google released other data about pay inequity.

The company said that, aside from those 228 employees, it has no "significant" gender or racial pay gap among 89 percent of its global workforce.

The Analytical Rabbit Hole

Women make $0.75 for every $1.00 men make

...But some of this is due to role and experience

"How do I know if I really have a problem? And, if so, how do I precisely quantify the problem?"

Analytical Modeling

Multiple regression analysis is a statistical method for explaining variations in a variable (i.e., pay) based on a series of related variables (e.g., tenure, role, etc.)

$$Pay = \alpha + \beta_1*(Tenure) + \beta_2*(State) + \beta_3*(Role) + \beta_4*(Performance) + \ldots + \varepsilon$$

But it's not that simple…

If existing job bands are imprecisely defined, this variable won't work well

If there is systemic bias, maybe it's even showing up in performance ratings

If the model cannot legitimately explain the pay difference, then the unexplained amount could be gender bias

Is this the only question that should be on the table? What if there's pay equity, but a glass ceiling? What if the top of the funnel is broken?

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Symptoms versus Causes

ABC Co. (engineering firm) can show pay parity between genders

But there are a number of factors creating heartburn:

- There are very few women in leadership positions

- The number of entry-level female to male ratio is 12%

- Females excel but begin exiting at a higher rate around 5 years of tenure

- Technology obsolesces quickly, so employees who leave find it hard to return

What does this mean?

Gender pay from within the organization

- Project team and key stakeholders?

- Project leadership from HR or legal?

- Approach toward preserving privilege?

- Condition of the data?

- Interaction with business units?

- Frequency of analysis?

- US or global analysis?
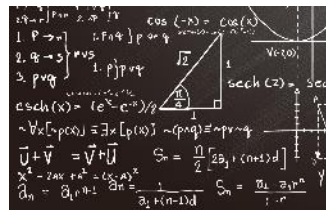
Process for Exploring Pay Equity

1   **Start with Data**

2   **Use Models to Point You Toward Potential Issues**

3   **Engage with Stakeholders to Make Decisions**

4   **Take Action and Create a Recurring Process**

Approaches toward remediation

	1 Quietly make adjustments based on modeling	**2** Limited collaboration with line of business leaders	**3** Openly public process
Pros	▪ Address problems without drawing attention	▪ Mostly maintain project confidentiality, but gain person-level context	▪ May be demanded by shareholders ▪ Internal corporate culture may demand it
Cons	▪ Models aren't perfect (adjustments may be flawed) ▪ Whiplash to managers	▪ May trigger contention and block progress ▪ Time-intensive	▪ More to litigate and question ▪ More likely to be discoverable

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